

# GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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## Where Are We Now?

Based on 3/30's \$662 Gold, and GSA's proprietary Market Cap/oz data base since 1994 for a Rising Gold Market, **gold stocks trade as if gold was \$599**; gold stocks on average are:

**10% Undervalued**

## 1Q07 Recap

After a glorious 2006 that saw Gold gain +24% and the GSA Top 10 soar +83%, we're hearing (again!) from some subscribers that think the best times for Gold are over. Some point to the year-over-year over \$100 bil reduction in the Current Account Deficit (see Page 16) and the resultant shrinkage in size from 7.01% to 5.82% of US GDP as signaling lower Gold ahead. As back up proof, they claim Gold had a lackluster 1Q07 performance.

GSA thinks subscribers are spoiled. Gold, up +4.1%, performed very well in the quarter compared to other markets, and the GSA Top 10 gained +2.4% (see table).

To summarize 1Q07, using start vs end points, the US stock markets barely moved and commodities were much better performers.

Gold Stocks disconnected from the Metal, as evidenced by the XAU, HUI and Dow Jones Gold Sector being down. Based on our proprietary Mkt Caps/oz averages, Gold stocks are 10% undervalued (lower left box); but the GSA Top 10 managed to gain.

The US Dollar was down against all other major currencies, and the Dollar's problems will continue bode well for the anti-Dollar, Gold.

Here's the major factors we see working for the yellow metal:

1) US interest rates and corporate profits are headed lower. These are the magnets that attract foreign capital and return the US\$ billions exported via the Current/Trade Account Deficits. ... *continued Page 14*

Market/Close	12/29/06	3/30/07	%Chg
DJIA	12,463	12,354	-0.9%
S&P	1418.3	1420.9	+0.2%
NASDAQ	2415.3	2431.6	+0.7%
Oil - lt crude	\$61.05	\$65.87	+7.9%
Gold - PM fix	\$636.00	\$661.75	+4.1%
Silver	\$12.90	\$13.35	+3.5%
Copper	\$2.85	\$3.10	+8.8%
GSA Top 10	100.00	102.40	+2.4%
DJ Gold Sector	94.88	87.48	-7.8%
XAU	142.25	137.01	-3.7%
HUI	338.24	337.66	-0.2%
US\$ vs Euro	1.3196	1.3358	-1.2%
US\$ vs Yen	119.03	117.84	-1.0%
US\$ vs Yuan	7.8051	7.7308	-1.0%
US\$ Index	83.43	82.66	-0.9%

• 'Bought deals' return: the crack cocaine that no gold miner can resist. **Claude** and **Crystallex** succumb on 3/29 as brokers say "sign here and it's a done deal". Brokers buy the shares with their own capital and then resell to investors; it's easy for miners as no time consuming road shows to sell the big funds are required.

• **And then there was one?** **Barrick** rumored to buy **Newmont**, which would make it a 13+ mil oz/yr producer, consolidate Carlin Trend props and solve management void since Lasseonde left NEM. This would be crowning achievement for ABX's Peter Munk, having risked all on Goldstrike in mid-80s that NEM nixed and earn him "King Midas" title. GSA has speculated on NEM's LBO appeal; potential deal could spin out Newmont Capital and give ABX shrs for NEM's mines. As in PDG deal, and aborted NG bid, and if made, ABX's first offer will be on low side. Negative: NEM's has few pipeline projs to replace the 7+ mil oz/yr it mines.

• See you at **NY Gold Show**, May 14/15 (Mon/Tues). Info at: [www.iiconf.com](http://www.iiconf.com)

• **Change in Top 10**. Read Who and Why on Page 2